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MEMORANDUM FOR DISTRIBUTION

Subj: CONSIDERATION OF EXPORT SALES WHEN PRICING DoD WEAPON  
SYSTEM

Encl: (1) OUSD memo dtd December 20, 1999

Enclosure (1) is forward for your information.

A handwritten signature in cursive script, reading "Edward A. Callaway", is positioned above the typed name.

Edward A. Callaway  
Director, Policy & Resources  
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OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON  
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December 20, 1999

MEMORANDUM FOR DIRECTORS OF DEFENSE AGENCIES  
DEPUTY FOR ACQUISITION AND BUSINESS  
MANAGEMENT, ASN (RD&A)/ABM  
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE  
(CONTRACTING), SAF/AQC  
DEPUTY ASSISTANT SECRETARY OF THE ARMY  
(PROCUREMENT), ASA (ALT)/SAAL-ZP

SUBJECT: Consideration of Export Sales When Pricing DoD Weapon  
System

I want to emphasize the importance of considering export sales when developing contract strategies and establishing contract prices for DoD weapon systems. When pricing DoD weapon systems, Defense Agencies and Military Departments should combine U.S. and Foreign Military Sales (FMS) requirements where prudent. While requirements should be combined to obtain favorable pricing, contracting officers are encouraged to issue a separate contract for each foreign customer.

When negotiating contracts for U.S. weapons systems where export sales are anticipated, contracting officers should ensure that all costs, including sustaining engineering and program management, are properly allocated among the U.S. and the foreign customers. Contracting officers are encouraged to use and enforce repricing clauses when additional export sales are likely within a reasonably short period of time after completion of negotiations. Finally, when pricing DoD weapon systems, contracting officers are reminded that the price of DoD line items should not include any additional cost as a result of the contractor satisfying offset demands of a foreign customer.

R.D. Kerrins, Jr.  
COL, USA  
Acting Director, Defense Procurement



ENCLOSURE(1)